

**CONWEST
EXPLORATION**
C O M P A N Y L I M I T E D

file

TWENTY-NINTH ANNUAL REPORT

December 31 — 1967

Twenty-ninth Annual Report

of

C O N W E S T

EXPLORATION COMPANY LIMITED

OFFICERS

F. M. CONNELL, O.B.E.	- - - - -	Chairman
C. R. ELLIOTT	- - - - -	President and Treasurer
W. H. CONNELL	- - - - -	Vice-President
J. D. CHRISTIAN, C.B.E.	- - - - -	Executive Vice-President
C. S. M. MORTIMER, Q.C.	- - - - -	Secretary
J. R. SCRIMGER	- - - - -	Assistant Secretary
M. P. CONNELL	- - - - -	Assistant Treasurer

DIRECTORS

F. M. CONNELL, O.B.E.	- - - - -	Toronto, Ontario
W. H. CONNELL	- - - - -	Spencerville, Ontario
E. B. CONNELL	- - - - -	Spencerville, Ontario
J. D. CHRISTIAN, C.B.E.	- - - - -	Toronto, Ontario
K. A. CREERY	- - - - -	Montreal, Quebec
C. R. ELLIOTT	- - - - -	Toronto, Ontario
S. E. JAMIESON	- - - - -	Toronto, Ontario
D. B. MacDERMOTT	- - - - -	Toronto, Ontario
C. S. M. MORTIMER, Q.C.	- - - - -	Toronto, Ontario

TRANSFER AGENTS AND REGISTRARS

MONTREAL TRUST COMPANY	- - - - -	Toronto, Ontario
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BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO.	- - - - -	Toronto, Ontario
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SOLICITORS

THOMSON, ROGERS	- - - - -	Toronto, Ontario
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ADMINISTRATIVE OFFICE

TENTH FLOOR, 85 RICHMOND STREET WEST	- -	Toronto, Ontario
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FIELD OFFICES

SUITE 901, ROYAL BANK BLDG.	- - - - -	Vancouver, B.C. Whitehorse, Y.T.
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ANNUAL MEETING

10:00 A.M., MAY 7, 1968	- - - - -	Royal York Hotel Toronto, Ontario
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Report of the Directors

To the Shareholders,
Conwest Exploration Company Limited.

Your directors submit for your information the balance sheet as at December 31, 1967, and the related statements of income and earned surplus and statement of source and application of funds for the year ended on that date together with your Auditors' Report thereon.

The Annual Report of Cassiar Asbestos Corporation Limited is appended for your information.

CASSIAR ASBESTOS CORPORATION LIMITED

Your company holds 542,970 shares of Cassiar Asbestos Corporation Limited.

During the year, Cassiar earned \$10,116,004 before deducting provision for stripping costs, depreciation, amortization and other write-offs, aggregating \$3,290,819, taxes payable for the year of \$500,000 and deferred taxes in the amount of \$2,150,000. The net profit for the year was \$4,175,185 compared to \$4,145,766 earned in 1966.

Dividends received from Cassiar during the year provided your company with an income of \$367,995.

Your attention is directed to the Cassiar report for full particulars of that company's operations.

BASIN OIL EXPLORATION LIMITED

Your company holds 681,146 shares of Basin Oil Exploration Limited representing 62% of the outstanding capital stock of that company. During the year, Basin Oil reviewed several proposals for exploration but did not participate. A strong financial position was maintained and at December 31, 1967, the company had net assets of \$847,080 consisting of cash, short term securities and shares of listed oil and mining companies valued at market. Basin Oil will continue to participate in oil and mineral exploration projects of interest.

PYRAMID MINING COMPANY LIMITED

Your company holds 276,738 shares of Pyramid Mining Company Limited. Following clearance from the Department of National Revenue, Pyramid has, in accordance with its previous undertaking, distributed to its shareholders the balance of the shares received from Pine Point Mines Limited as consideration for the sale of its Pine Point properties. Your company holds 55,346 shares of Pine Point Mines Limited.

FROBEX LIMITED

Your company holds 394,685 shares of Frobex Limited, which holds more than 47% of the outstanding shares of Wexford Mines Limited. The latter company owns a substantial copper orebody in Boisbuisson Township in the Gaspé area of Quebec where plans are presently underway to construct underground and surface facilities capable of treating 2,500 tons of ore per day. Wexford is under the management of McIntyre Porcupine Mines Limited which has agreed to provide up to a maximum of \$15,000,000, to bring the mine to production in the second quarter of 1969.

Frobex holds a 25% interest in two uranium prospects and one copper prospect on the north shore of the St. Lawrence River. It is also active in the Coppermine River area of the Northwest Territories.

GARON LAKE MINES LIMITED

Since the end of the year, Orchan Mines Limited acquired all the issued shares of Garon Lake Mines Limited in exchange for 72,215 fully paid shares in Orchan, of which, Conwest received 11,250 shares.

BUFFALO RIVER EXPLORATION LIMITED

Buffalo River Exploration Limited holds the mineral claims in the Pine Point area of the Northwest Territories previously held jointly by Conwest and Newconex Canadian Exploration Limited. As previously reported, diamond drilling indicated an estimated 1,350,000 tons of ore having an average grade of 3.4% lead and 9.6% zinc. A land survey of the group of claims on which the ore occurs was completed and leases applied for during the year. Your company holds 952,138 shares of an issued capital of 2,392,840 shares.

COPPERMINE RIVER AREA — NORTHWEST TERRITORIES

Coppermine River Limited

As outlined in last year's annual report, your company participated during the year in the exploration of the mineral claims in the Coppermine River area of the Northwest Territories, held by Coppermine River Limited.

Prospecting, geophysical and geological exploration established the presence of many interesting mineral showings, of which the most significant to date is the "47" Zone on the main block of claims. The zone outlined by an "I.P." anomaly has been partially tested by 14,969 feet of diamond drilling in 39 holes over a length of 1,300 feet and to a maximum depth of 500 feet. The drilling indicated in excess of 3 million tons averaging more than 3% copper or a larger tonnage of lower average grade. The predominant copper mineral is chalcocite with lesser amounts of bornite. The results of metallurgical tests being carried out are not yet available, but it is expected that a concentrate containing a minimum of 60% copper can be made. A major programme to further explore the property is planned for 1968. Diamond drilling is planned to further outline the "47" Zone and to test its extension as indicated by the "I.P." anomaly. Other areas on strike of the "47" Zone where the induced polarization survey has indicated strong anomalies similar to that outlining the "47" Zone will also be drilled this year. It is planned to continue the induced polarization survey along the vicinity of the Teshierpi fault in conjunction with prospecting and mapping of the claims.

Your directors are of the opinion that the importance of the discovery warrants a substantial participation in the exploration of the district, and accordingly, in addition to maintaining its participation in the Coppermine River Limited programme, your company will participate in the following projects.

East Coppermine Exploration Company Limited

Pursuant to an agreement with a prospector, your company is acquiring approximately 1,500 mineral claims located to the east of the Coppermine River, Northwest Territories. The claims lie within the copper-bearing belt of Basalt formations and are known to contain several copper showings. East Coppermine Exploration Company Limited has been incorporated to acquire the mineral claims. During the current year, an extensive exploration programme will be undertaken, in which several companies will participate. Your company's share in the programme will be 24%.

Teshierpi Mines Limited

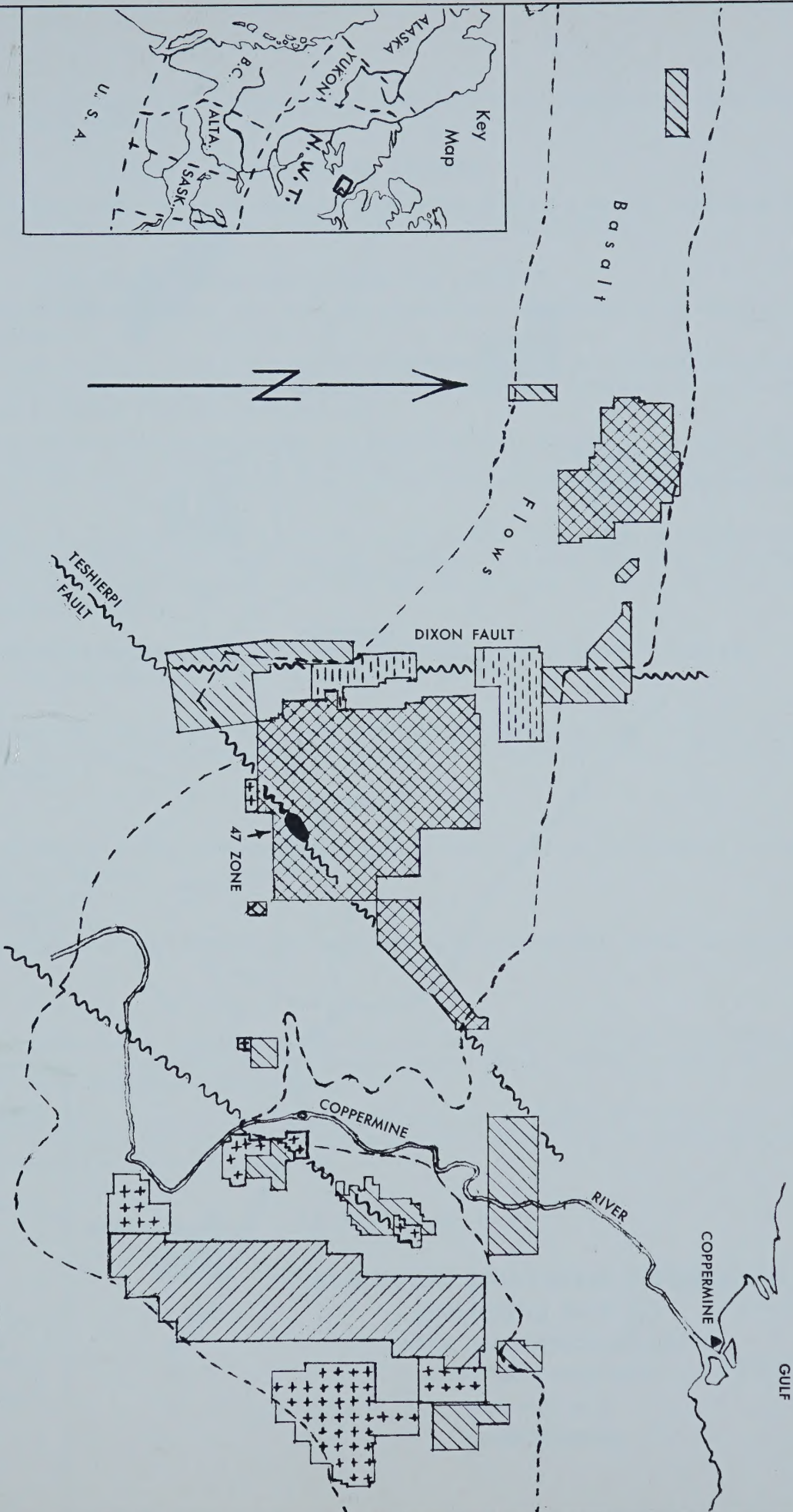
Teshierpi Mines Limited, with an authorized capital of 5,000,000 shares (N.P.V.), holds a total of 1,848 mineral claims in the Coppermine River area, for which 1,000,000 shares will issue as consideration. Coppermine River Limited will receive 410,000 of the vendors shares for its interest in certain of the claims. During 1968, your company will provide \$100,000 of a \$500,000 programme to explore the mineral claims and will receive 200,000 shares of Teshierpi Mines Limited. Your company also has the right to participate in further exploration and development of the mineral claims.

Northville Explorations Limited

Northville Explorations Limited holds two blocks of mineral claims that are located on the Dixon Fault in the Coppermine River area on which there are several known copper occurrences. Your company is participating in a programme of exploration and development of the mineral claims.

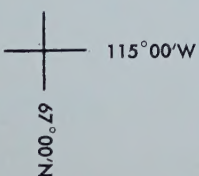
Bernack Coppermine Exploration Limited

Bernack Coppermine Exploration Limited was incorporated by Frobex Limited to carry out exploration in the Coppermine River area. It holds in excess of 1,000 mineral claims in several groups located in the

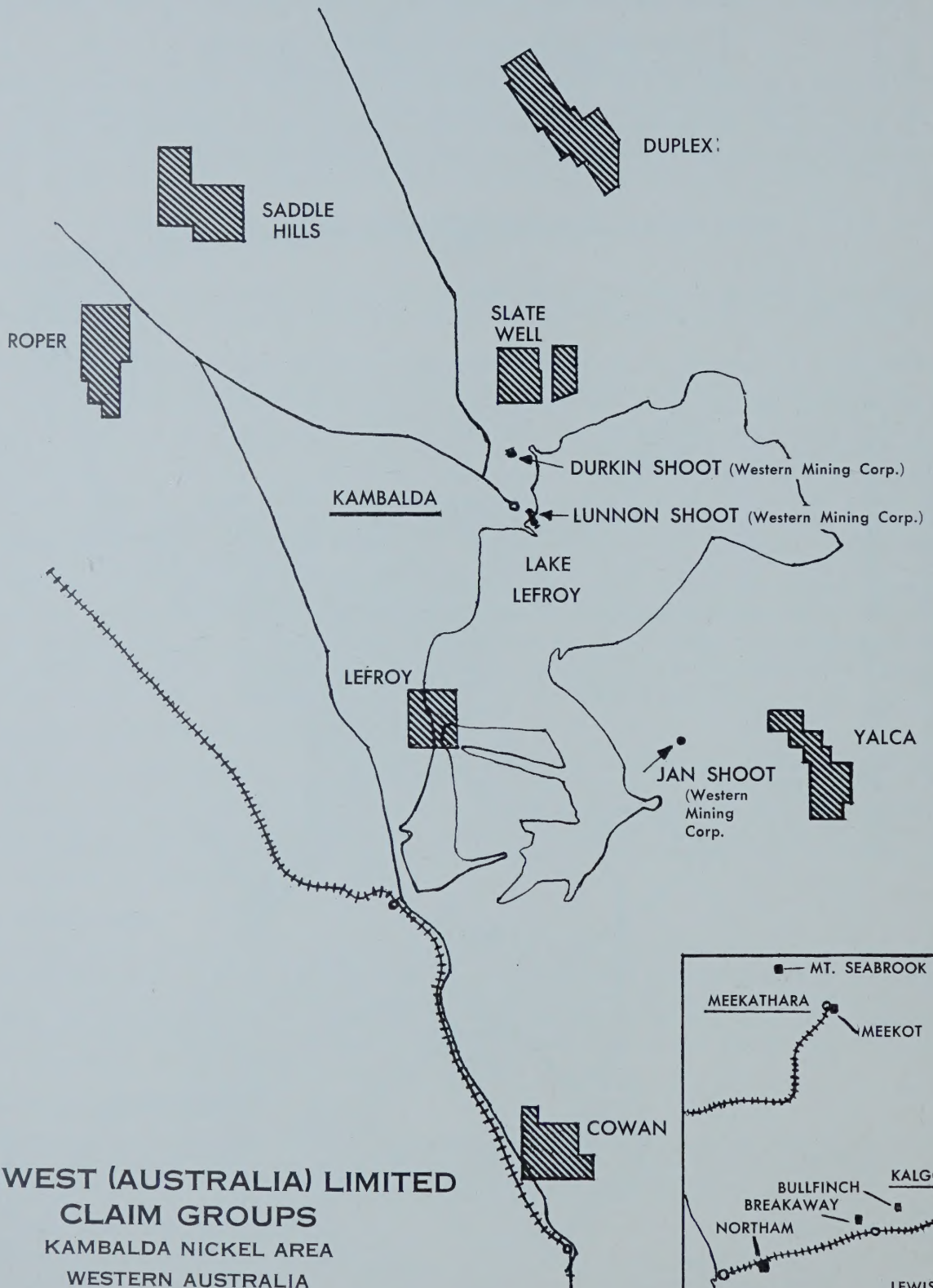


COPPERMINE RIVER AREA

NORTHWEST TERRITORIES

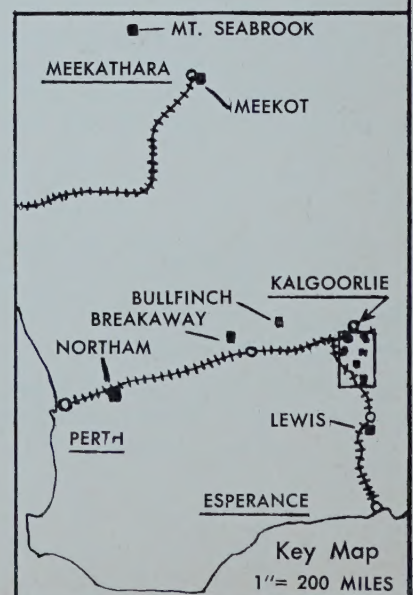
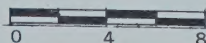


- XXXX COPPERMINE RIVER LIMITED
- //// TESHERPI MINES LIMITED
- //// EAST COPPERMINE EXPLORATION CO. LTD.
- NORTHVILLE EXPLORATIONS LIMITED
- +++ BERNACK COPPERMINE EXPLORATION LTD.



CONWEST (AUSTRALIA) LIMITED
CLAIM GROUPS
 KAMBALDA NICKEL AREA
 WESTERN AUSTRALIA

Scale 1" = 8 Miles



Key Map
 1" = 200 MILES

Coppermine River area. Your company will participate to the extent of 20% in a programme of exploration and development of the mineral claims.

CONISKA COPPER MINES LIMITED

Your company holds a 50% interest in Coniska Copper Mines Limited. Further exploration is scheduled this year for the company's claims in the Chibougamau area, Province of Quebec.

CONWEST EXPLORATION OVERSEAS LIMITED

Conwest Exploration Overseas Limited has issued and outstanding 1,100,000 shares of which your company holds 520,000 shares.

Conwest Exploration Overseas Limited through its wholly-owned subsidiary Conwest (Australia) No Liability, has been carrying on a comprehensive programme of exploration in Australia with the major effort being concentrated in Western Australia during the year.

Western Mining Corporation of Australia brought into production during the year its new nickel mine at Kambalda, Western Australia, where it reports having developed sulphide ore reserves totalling 9,306,000 tons of average grade of 3.8% nickel, with indications that current exploration is materially extending the indicated reserves.

Conwest (Australia) N.L. has acquired and is currently exploring several large groups of mining claims located in the Kambalda-Kalgoorlie area of Western Australia. Geological formations covered by the claims are considered similar to the geological conditions associated with the occurrence of ore in the mines of Western Mining Corporation.

GENERAL EXPLORATION IN WHICH CENTRAL PATRICIA GOLD MINES LIMITED PARTICIPATES TO THE EXTENT OF 20%

British Columbia

Several claim groups are held in the Stikine River area of British Columbia. No work was done on the claims during the year. A number of prospects were referred to the company but were not of sufficient interest to warrant expenditure.

Manitoba

A programme of diamond drilling, surveying and bringing to lease certain of the company's mining claims in the nickel belt is in progress.

Ontario

In the Blind River uranium area, your company is participating in reconnaissance drilling on a group of mining claims.

Quebec

A programme of exploration of a group of mining claims in the vicinity of Wexford Mines Limited in Gaspé has been undertaken in participation with New Calumet Mines Limited. Drilling is planned to test the extensive low-grade copper mineralization on the claims.

A group of mining claims is held in Lapotardiere Township, Gaspé, Quebec on which a body of forsterite occurs. Tests carried out to date indicate that a high temperature refractory product can be obtained. Further testing and investigation of markets is in progress.

On Behalf of the Board,

F. M. CONNELL,
Chairman.

C. R. ELLIOTT,
President.

Toronto, Ontario,
March 8, 1968.

Conwest Exploration Company Limited

STATEMENT OF INCOME AND EARNED SURPLUS

For the year ended December 31, 1967

(with comparative figures for the year 1966)

	1967	1966
Net income for the year:		
Income —		
Dividends	\$ 763,003	\$ 703,527
Interest	157,163	143,382
Gain on sale of bonds	7,167	9,621
	<u>927,333</u>	<u>856,530</u>
Expense —		
General exploration (note 1)	241,494	193,845
General and administrative	119,911	103,145
Remuneration of directors, including those holding salaried employment	42,300	44,033
Depreciation	3,054	340
	<u>406,759</u>	<u>341,363</u>
Less portion of expenditures recovered from other companies	80,912	67,124
	<u>325,847</u>	<u>274,239</u>
Net income for the year	<u>601,486</u>	<u>582,291</u>
Excess of net gain realized on disposal of interest in mining proper- ties and companies over exploration write-offs and provision for profits and losses of subsidiary companies (note 1)	2,088,962	12,297
Earned surplus at beginning of year	10,295,672	10,001,084
	<u>12,986,120</u>	<u>10,595,672</u>
Dividends totalling 12¢ per share	300,000	300,000
Earned surplus at end of year	<u>\$12,686,120</u>	<u>\$10,295,672</u>

Conwest Exploration Company Limited

STATEMENT 3

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967
(with comparative figures for the year 1966)

	1967	1966
Working capital (current assets less current liabilities) beginning of year	\$2,062,311	\$3,589,125
Sources of funds:		
Income from investments	927,333	856,530
Proceeds from sale of shares in mining companies	4,433,486	730,733
Principal payments received on mortgages receivable and an agreement of sale	77,086	77,057
	<u>7,500,216</u>	<u>5,253,445</u>
Application of funds:		
Financing of exploration and development by purchase of shares in and advances to mining companies	2,105,722	1,813,312
Purchase of shares in other mining companies	453,634	305,106
Direct development of mining claims and properties including general exploration and overhead expenses	598,954	770,641
	<u>3,158,310</u>	<u>2,889,059</u>
Prospecting equipment purchases	8,736	2,075
Dividends paid	300,000	300,000
	<u>3,467,046</u>	<u>3,191,134</u>
Working capital — end of year	<u>\$4,033,170</u>	<u>\$2,062,311</u>

Conwest Exploration

(Incorporated under the laws of the State of Nevada)

Balance Sheet —

(with comparative figures for 1966)

ASSETS

	1967	1966
Current:		
Cash	\$ 841,518	\$ 889,034
Short-term investments at cost plus accrued interest (approximately market)	3,060,744	1,159,623
Dividends and interest receivable	233,691	116,760
Accounts receivable	99,106	84,766
Advances for working funds	16,466	10,205
Prepaid expenses	11,073	12,137
Total current assets	4,262,598	2,272,525
Agreement for sale and mortgages receivable	165,037	242,123
Interest in mining properties and companies at cost less amounts written off (note 1):		
Shares in and advances to mining and exploration companies (including shares with a book value of \$6,354,712 (\$5,767,426 in 1966) having a quoted market value of \$15,495,204 (\$15,884,978 in 1966))	7,341,483	5,913,346
Subsidiary companies (note 2) —		
Shares	1,224,658	1,923,508
Advances	396,078	391,074
	1,620,736	2,314,582
Less provision for losses	205,605	280,468
	1,415,131	2,034,114
Mining claims and expenditures thereon	996,174	1,314,335
Total interest in mining properties and companies	9,752,788	9,261,795
Prospecting equipment and other fixed assets at cost less accumulated depreciation of \$46,280 (\$49,482 in 1966)	20,123	14,441
	<u>\$14,200,546</u>	<u>\$11,790,884</u>

Company Limited

(In accordance with the laws of Canada)

December 31, 1967

(For the year 1966)

LIABILITIES

	1967	1966
Current:		
Accounts payable and accrued charges	\$ 79,428	\$ 60,214
Dividend payable	150,000	150,000
Total current liabilities	<u>229,428</u>	<u>210,214</u>
 Capital and surplus:		
Capital —		
Authorized:		
3,000,000 shares of no par value		
Issued:		
2,500,000 shares	1,284,998	1,284,998
Earned surplus	12,686,120	10,295,672
	<u>13,971,118</u>	<u>11,580,670</u>
 On behalf of the Board:		
 C. R. ELLIOTT, Director.		
J. D. CHRISTIAN, Director.		
	<u>\$14,200,546</u>	<u>\$11,790,884</u>

Conwest Exploration Company Limited

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1967

1. Accounting policy

The company's policy is to write off all general exploration expenditures incurred during the year, including all overhead costs, and to capitalize the direct cost of acquisition and expenditure thereon of interests in mining properties and companies which were in good standing at the year end. Upon disposal or abandonment of such interests the net gain or loss is reflected in the statement of income and earned surplus.

2. Subsidiaries

In accordance with Section 121 of The Canada Corporations Act the following are the details relating to unconsolidated subsidiary companies:

- (a) The subsidiary companies' financial statements have not been consolidated because, in the opinion of management, such consolidation would be inappropriate. The assets of the subsidiary companies include cash and investments at market value less accounts payable aggregating \$1,024,793 in which the company's equity is \$625,527. The balance of the company's investment in subsidiary companies is represented by mining claims, properties, expenditures thereon and other deferred amounts, the value of which can only be determined through operation, sale or abandonment.
- (b) The company's proportion of the aggregate profits less losses of subsidiaries for the respective financial periods coinciding with or ending in the financial period of the company totalled \$74,863, which amount has been included in the statement of income and earned surplus as a reduction in the provision for losses of subsidiary companies.
- (c) The aggregate of the losses less profits of the subsidiaries since their acquisition in addition to amounts written off the investment therein, is \$205,605 and has been provided for in the accounts of the company.

Clarkson, Gordon & Co.
Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Port Arthur Fort William Winnipeg Regina
Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Conwest Exploration Company Limited:

We have examined the balance sheet of Conwest Exploration Company Limited as at December 31, 1967, and the statements of income and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 4, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

Management and Exploration Personnel

GENERAL OFFICERS:

Chairman of the Board	-	-	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President and Treasurer	-	-	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Executive Vice-President and Consulting Engineer	-	-	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President	-	-	-	-	-	-	-	-	-	W. HAROLD CONNELL
Secretary	-	-	-	-	-	-	-	-	-	C. S. M. MORTIMER, Q.C.
Assistant Secretary	-	-	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	-	-	-	M. P. CONNELL

EXPLORATION AND DEVELOPMENT DIVISION:

Manager	-	-	-	-	-	-	-	-	-	T. L. HORSLEY, B.A.Sc.
Chief Geologist	-	-	-	-	-	-	-	-	-	D. BUCHHOLZ, A.B., M.A.
Assistant to the Manager	-	-	-	-	-	-	-	-	-	K. G. MILLER
Geologist	-	-	-	-	-	-	-	-	-	G. W. GRANT
Geologist	-	-	-	-	-	-	-	-	-	V. B. O'NEIL
Whitehorse Office, Yukon Territory	-	-	-	-	-	-	-	-	-	A. F. BERRY
Mineral Claims Secretary	-	-	-	-	-	-	-	-	-	J. CALDWELL
Accountant	-	-	-	-	-	-	-	-	-	J. F. HATCHER

OPERATING DIVISION:

CASSIAR ASBESTOS CORPORATION LIMITED

GENERAL OFFICERS:

Chairman of the Board	-	-	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary-Treasurer	-	-	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
General Manager	-	-	-	-	-	-	-	-	-	J. G. BERRY, B.Sc.
Consulting Engineer	-	-	-	-	-	-	-	-	-	T. T. TIGERT, B.A.Sc.
Assistant Secretary	-	-	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	-	-	-	M. G. MAZURKEWICH
Chief Accountant	-	-	-	-	-	-	-	-	-	M. J. HERZOG, C.A.

CASSIAR MINE, Cassiar, B.C.

General Superintendent	-	-	-	-	-	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Production Superintendent	-	-	-	-	-	-	-	-	-	A. C. CARON
Mine Superintendent	-	-	-	-	-	-	-	-	-	J. R. MURDOCH, B.Sc.
Mill Superintendent	-	-	-	-	-	-	-	-	-	C. R. HARRIS, B.A.Sc.
Plant Superintendent	-	-	-	-	-	-	-	-	-	W. E. ROYDS, B.A.Sc.
Equipment Superintendent	-	-	-	-	-	-	-	-	-	G. EDWARDS
Mechanical Superintendent	-	-	-	-	-	-	-	-	-	J. C. VELTMEYER
Electrical Superintendent	-	-	-	-	-	-	-	-	-	F. KLIMENT
Surface Superintendent	-	-	-	-	-	-	-	-	-	G. KAMLAH
Utilities Superintendent	-	-	-	-	-	-	-	-	-	R. PASIAUD
Chief Engineer	-	-	-	-	-	-	-	-	-	J. ST. GEORGES, B.A.
Chief Geologist	-	-	-	-	-	-	-	-	-	W. H. PLUMB, B.A.Sc.
Chief Mine Accountant	-	-	-	-	-	-	-	-	-	J. H. THORNICROFT
Industrial Relations Supervisor	-	-	-	-	-	-	-	-	-	D. R. DELAHUNT, B.A.

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	-	-	-	-	-	F. P. HODGSON, B.Sc.
Mine Superintendent	-	-	-	-	-	-	-	-	-	H. A. WOODY
Mill Superintendent	-	-	-	-	-	-	-	-	-	M. DE ROUIN, B.Sc.
Plant Superintendent	-	-	-	-	-	-	-	-	-	J. M. BELL
Equipment Supervisor	-	-	-	-	-	-	-	-	-	M. NORDENHOLT
Mechanical Supervisor	-	-	-	-	-	-	-	-	-	P. J. WATERS
Electrical Supervisor	-	-	-	-	-	-	-	-	-	R. O. HOFFMAN
Surface Supervisor	-	-	-	-	-	-	-	-	-	J. S. BUTCHART
Chief Engineer	-	-	-	-	-	-	-	-	-	J. G. DREWE, B.Sc.
Chief Mine Accountant	-	-	-	-	-	-	-	-	-	D. ACASON

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	-	-	-	-	-	E. K. McARTHUR
Operations and Maintenance Superintendent	-	-	-	-	-	-	-	-	-	W. G. WHITEHOUSE
Accountant	-	-	-	-	-	-	-	-	-	K. J. MULLOY

ASBESTOS WHARF, North Vancouver, B.C.

Superintendent — Vancouver Operations	-	-	-	-	-	-	-	-	-	J. T. WARD
Superintendent — Asbestos Wharf	-	-	-	-	-	-	-	-	-	M. PHILLIPS
Purchasing Agent	-	-	-	-	-	-	-	-	-	K. B. SCRIMGER

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
CASSIAR ASBESTOS CORPORATION LIMITED:

Your directors submit herewith the sixteenth annual report on the affairs of your company including a consolidated balance sheet as at December 31, 1967, statements of consolidated operations, earned surplus and source and application of funds for the year ended on that date and your Auditors' report thereon.

FINANCIAL

The profit from operations was \$10,116,004 before providing for depreciation, stripping and other write-offs aggregating \$3,290,819 leaving a net profit before income taxes of \$6,825,185. Provision for income taxes of \$500,000 for current year and \$2,150,000 deferred to future years, results in a net profit for the year of \$4,175,185 as compared to \$4,145,766 earned in 1966.

As previously reported 477,500 shares of the capital stock of the company were issued pursuant to a rights offering in February 1967, to provide the company with \$5,744,728. A long term bank loan was arranged to provide \$4,000,000.

During the year, there was expended on capital account at Clinton on plant and equipment \$10,351,555 and on pre-production expense, including pre-stripping in the mine, \$2,072,857. Total expenditures to date for the Clinton mine on mine plant and equipment, development, pre-production and other expenses and Transport Division equipment amounts to \$24,203,660. It is estimated that a further expenditure of approximately \$2,200,000 will be required to complete the project.

At Cassiar, mine and mill equipment renewal cost \$553,727 and waste stripping at the mine cost \$2,801,594.

SALES

Demand for all grades of Cassiar fibre was good throughout the year. The Cassiar mine operated at a record production level of 92,000 tons of fibre and was able to meet sales commitments. Inventories were maintained at minimum working levels. The selling price of fibre was increased by approximately 3.75% on April 1, 1967. Now that the Clinton property is in operation, production from the Cassiar mine during 1968, will be reduced to its normal operating rate of approximately 75,000 tons of fibre per year.

Test samples of the first fibre produced from the Clinton mine reached customers in late November. Reports from customers have been excellent and confirm earlier indications of a high quality, good filtering asbestos-cement fibre. Tentative orders for 1968, covering most of the 60,000 tons planned production from the Clinton mine have been received.

The growth in the asbestos-cement market, that was anticipated last year, did not fully materialize as a result of restrictions on capital funds in various market areas. While the outlook for 1968 remains

somewhat uncertain, we consider that any easing of the market that might take place will be of a temporary nature. The overall demand for asbestos-cement products in housing, water supply and in anti-pollution projects continues to grow throughout the world. Your company, producing quality products from two mines, is in an excellent position to take full advantage of this situation.

LABOUR

Labour contracts have been negotiated with the United Steelworkers of America, Local 6536 (Cassiar, B.C.), Local 564 (Clinton mine, Y.T.) and Local 925 (Whitehorse, Y.T.) covering the period December 1, 1967 to September 30, 1970. Wage rates will be increased substantially over this period.

CASSIAR MINE

Mine

During the year 1,029,474 tons of ore were mined, of which 800,679 tons were treated in the rock rejection plant to eliminate 255,227 tons of rock. The untreated balance of 228,795 tons was principally selected high grade ore which is not amenable to this form of concentration. The resulting 545,452 tons of concentrate and 228,795 tons of untreated ore were delivered to the mill, 511,665 tons by tramline and 262,582 tons by truck.

Stripping operations continued at the pre-determined rate and 4,125,054 tons were mined at a total cost of \$2,801,594. Most of this waste lies above the orebody on the hanging wall side and is removed in phases to free the underlying ore for open-pit mining. The ratio of ore to waste varies from phase to phase. It is the company's accounting policy to capitalize the cost of waste removal and to write it off in the appropriate proportion for the phase from which the ore is being mined. The current write-off is \$1.68 per ton of ore mined.

Normal replacements of some of the mine and plant equipment were made and the whole was maintained in good operating condition. Despite rising costs of labour and materials unit mining costs remained at a satisfactory level.

Mill

The mill treated 756,787 tons of ore and concentrate at an average rate of 2,073 tons per calendar day and produced 92,093 tons of fibre. Maintenance cost was slightly higher than in previous years and is attributable to the continuous nature of the operation at the high production level of the past two years.

Ore Reserves

No diamond drilling or other exploration work was done during the year and the probable ore reserves within the presently planned pit limits and to a depth of 340 feet below the lower adit are 26,000,000 tons.

Training Programme

The training programme encompassing apprenticeship training for the trades and crafts and learner training for the operating personnel has been well received and will be continued. Labour turnover dropped by 18%.

CLINTON MINE

An aerial photograph of the Clinton mine and plantsite is included in this report. It was taken in the late fall before the construction was entirely completed. It does, however, show the general layout and the nature of the country in the Yukon River valley. The elevation at Clinton mine is approximately 1,600 feet above sea level as compared to 6,000 feet at Cassiar. Precipitation is comparatively light and temperatures are more extreme, ranging from the high eighties (°F) in the summer to fifty and sixty below zero (°F) in the winter.

The townsite will be located about five miles to the southeast of the plant, on a knoll overlooking the Forty-Mile River. Construction in this area will be substantially completed this summer.

The first few hundred tons of ore were put through the mill in the middle of October 1967. It was not until the end of November, however, that the machinery was completely run in, the dry rock storage roofed over, and the plant considered ready for operation. For the next three months, the operation experienced numerous mechanical and operational problems, many of which were associated with severe winter temperatures. The major problems were centered around the crushing plant, tramline and other equipment exposed to the elements. It became necessary to resort to a limited truck movement of the ore from the mine to the mill to supplement the tramline. As a result, production was held to less than fifty percent of rated capacity. However, the basic plant was designed for an output of 80,000 tons of fibre per year and with the addition of a few screens in the rock-line, the plant should be able to make up the deficit and meet the objective for the current year of 60,000 tons of fibre.

A further 1,093,000 tons of waste were stripped from the orebody in preparation for mining. The ore to date has all come from the footwall side of the orebody and it is too early to comment on the recovery.

Mill

The mill is performing up to expectations, and as noted in the paragraph on sales, is producing high quality good filtering asbestos-cement fibre.

Ore Reserves

The probable ore reserves remain unchanged at 24,000,000 tons.

TRANSPORT DIVISION

The Clinton fleet has now been added to the Transport Division and the garage facilities in Whitehorse will be expanded in 1968 to maintain the enlarged fleet. This division continues to operate as a very efficient arm of the organization.

ASBESTOS WHARF

The automatic equipment installed at the mines to compress and strap one-ton unitized loads has resulted in completely mechanized handling throughout all operations and has reduced handling costs. Further experiments are underway with shipping companies and customers in various parts of the world to determine whether additional benefits can be derived from this package.

KUTCHO CREEK ASBESTOS COMPANY LIMITED

A limited amount of geological and geophysical work was carried out in 1967 on the claims staked in 1966. Some of these claims will be retained for further investigation and some will be allowed to lapse.

As previously reported, the extent of the surface occurrences on this property warrants an extensive diamond drilling and underground exploration programme. However, this work will be deferred until the Cassiar and Clinton mines are at full production and some of the uncertainties in the Provincial and Federal taxation fields and labour legislation are clarified.

GENERAL EXPLORATION

A general exploration programme was carried on in Northern British Columbia and the Yukon, but no showings of economic interest were found.

ACKNOWLEDGEMENTS

The directors express their appreciation of the loyalty and continued effort of the staff and employees during this period of transition and growth and extend a welcome to the new members of the Cassiar Organization.

On behalf of the Board,

F. M. CONNELL,
Chairman.

J. D. CHRISTIAN,
President.

Toronto, Canada,
March 7, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Port Arthur Fort William Winnipeg Regina
Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the consolidated balance sheet of Cassiar Asbestos Corporation Limited and its subsidiary as at December 31, 1967 and the statements of consolidated operations and earned surplus and statement of consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 12, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

Cassiar Asbestos Corporation Limited

and its subsidiary

STATEMENTS OF CONSOLIDATED OPERATIONS AND EARNED SURPLUS

For the year ended December 31, 1967
(with comparative figures for the year 1966)

OPERATIONS

	1967	1966
Revenue:		
From sales of asbestos fibre	\$20,845,403	\$20,393,363
From investments	32,764	255,863
	<u>20,878,167</u>	<u>20,649,226</u>
Expenses:		
Cost of production of fibre sold (note 1)	8,790,930	8,776,507
Transportation to Vancouver and warehousing (note 1)	3,780,497	3,834,530
Administration, selling and general expenses	1,087,243	875,865
Remuneration of directors, including those holding salaried employment	82,615	70,413
Exploration and research expenses	152,291	211,804
Interest on long term debt	106,912	15,750
Interest on bank loans	52,494	78,591
	<u>14,052,982</u>	<u>13,863,460</u>
Profit before income taxes	<u>6,825,185</u>	<u>6,785,766</u>
Income Taxes:		
Current	500,000	765,000
Deferred (note 4)	2,150,000	1,875,000
	<u>2,650,000</u>	<u>2,640,000</u>
Net profit for the year	<u>\$ 4,175,185</u>	<u>\$ 4,145,766</u>

EARNED SURPLUS

Balance at beginning of year	\$11,361,605	\$10,080,839
Net profit for the year	4,175,185	4,145,766
	<u>15,536,790</u>	<u>14,226,605</u>
Dividends totalling 60¢ per share	3,151,500	2,865,000
Balance at end of year	<u>\$12,385,290</u>	<u>\$11,361,605</u>

Cassiar Asbestos Corporation Limited

and its subsidiary

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967
(with comparative figures for the year 1966)

	1967	1966
Working capital (current assets less current liabilities) beginning of year	\$ 2,654,434	\$ 3,272,348
Source of Funds:		
Operations —		
Net profit	4,175,185	4,145,766
Stripping costs amortized	1,729,516	1,539,972
Exploration costs written off	68,967	76,551
Depreciation	1,492,336	1,439,523
Income taxes deferred to future years	2,150,000	1,875,000
	9,616,004	9,076,812
Sale of investments — Clinton Mine Funds	35,590	7,729,430
Long term bank loan	4,000,000	
Capital stock issued for cash	5,744,728	
	19,396,322	16,806,242
Application of Funds:		
Dividends	3,151,500	2,865,000
Cassiar Mine — Plant and equipment	553,727	1,078,439
— Stripping costs	2,801,594	2,508,192
Clinton Mine — Plant and equipment	10,351,555	7,490,668
— Preproduction	2,072,857	2,719,191
Exploration costs	197,894	269,778
Special refundable tax paid	53,000	105,000
Long term debt retired	75,000	75,000
Transport Division — Plant and equipment	848,035	284,668
Asbestos Wharf — Plant and equipment	2,885	28,220
	20,108,047	17,424,156
Net decrease in working capital	711,725	617,914
Working capital, end of year	\$ 1,942,709	\$ 2,654,434

CASSIAR ASBESTOS CO.

(Incorporated under the laws of the Province of Ontario)
and its subsidiary Kutcho Crete Ltd.

Consolidated Balance Sheet

(with comparative figures for 1966)

	1967	1966
ASSETS		
Current:		
Accounts receivable	\$ 3,167,036	\$ 3,356,061
Taxes recoverable		174,000
Asbestos fibre at cost	2,719,919	2,010,260
Ore stockpiled at cost	350,761	186,447
Inventory of supplies — valued at laid-down cost	2,128,742	1,261,528
Prepaid expenses	81,484	113,587
Total current assets	<u>8,447,942</u>	<u>7,101,883</u>
Investments:		
Investments at cost plus accrued interest (market value 1967 — \$320,615; 1966 — \$362,400)	399,793	435,383
Special refundable tax	158,000	105,000
Investment in Territorial Supply Company Limited — Shares (one-half the issued capital) at cost	25,000	25,000
Note receivable	150,000	150,000
	<u>732,793</u>	<u>715,383</u>
Fixed (note 1):		
Mine plant and equipment at cost	29,741,913	20,319,801
Automotive equipment at cost	6,980,020	4,763,525
Asbestos Wharf — leasehold improvements, buildings and equipment at cost	1,452,982	1,450,159
Roads at cost	186,815	186,815
	<u>38,361,730</u>	<u>26,720,300</u>
Less accumulated depreciation	10,679,085	9,302,471
	<u>27,682,645</u>	<u>17,417,829</u>
Deferred:		
Mining claims and properties at cost	2,695,315	2,630,491
Exploration, development and other preproduction expenditures less amounts written off (notes 1 and 2)	6,211,703	4,075,693
Stripping costs less amounts written off (note 1)	10,733,598	9,661,520
	<u>19,640,616</u>	<u>16,367,704</u>
	<u>\$56,503,996</u>	<u>\$41,602,799</u>

CORPORATION LIMITED

(Canada Corporations Act)

Bestos Company Limited

at — December 31, 1967

(the year 1966)

LIABILITIES

	1967	1966
Current:		
Bank indebtedness (note 3)	\$ 3,101,346	\$ 1,279,025
Accounts payable and accrued charges	1,767,785	1,918,512
Dividend payable January 29, 1968 (January 27, 1967)	787,875	716,250
Taxes payable	773,227	458,662
Current portion of purchase contract	75,000	75,000
Total current liabilities	<u>6,505,233</u>	<u>4,447,449</u>
Long Term Debt:		
6% bank loan due July 1, 1969 (unsecured)	4,000,000	
6% purchase contract due in equal annual instalments to June 30, 1969 less current portion	75,000	150,000
	<u>4,075,000</u>	<u>150,000</u>
Income taxes deferred (note 4)	<u>9,585,000</u>	<u>7,435,000</u>
Capital and Surplus:		
Capital (note 5) —		
Authorized: 5,500,000 shares without nominal or par value		
Issued: 5,252,500 shares (1966—4,775,000 shares)	23,953,473	18,208,745
Earned surplus	12,385,290	11,361,605
	<u>36,338,763</u>	<u>29,570,350</u>
 On behalf of the Board:		
J. D. CHRISTIAN, Director.		
C. R. ELLIOTT, Director.		
	<u>\$56,503,996</u>	<u>\$41,602,799</u>

Cassiar Asbestos Corporation Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

1. **Depreciation and amortization:**

The basis of amortization and depreciation is as follows:

Depreciation —

Buildings — 5% per annum on cost

Equipment — 10% per annum on cost

Automotive equipment cost is charged to operations at a uniform rate over the estimated useful life applied on a unit basis.

During the year the depreciation charge to operations amounted to \$1,492,336 (1966 — \$1,439,523).

Amortization of stripping expenditures —

Stripping costs are charged to operations on a per ton of ore mined basis, the rate being determined by dividing the cost of stripping by the estimated tons of ore released.

During the year stripping costs charged to cost of production amounted to \$1,729,516 (1966 — \$1,539,972).

Amortization of preproduction expenditures —

Preproduction expenditures are to be amortized on a per ton basis, the rate being determined by the estimated ore reserves. As the preproduction expenditures at December 31, 1966 and 1967, relate entirely to mines not yet in production no amortization has been written in the current year.

2. **Exploration expenditures:**

The company's policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct costs of acquisition and expenditure thereon in mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income.

3. **Bank indebtedness:**

The bank indebtedness is secured by a general assignment of accounts receivable and pledge of inventories of asbestos fibre, ore stockpiled at mill, and supplies.

4. **Income taxes deferred:**

The deferred income taxes of \$2,150,000 is the amount by which income taxes otherwise payable in respect of the year have been reduced by claiming for tax purposes capital cost allowances, stripping costs, and exploration and development expenditures, in excess of the amounts recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation, stripping costs, and exploration and development expenditures, recorded in the accounts and is accordingly included in the balance sheet in the item "Income taxes deferred".

5. **Capital:**

The issued share capital of the company was increased by 477,500 shares through a rights offering to the shareholders on the basis of one share for each ten shares held as at the close of business January 31, 1967, at the price of \$12.00 per share. Subscriptions were received for 473,818 shares and the remaining 3,682 shares not subscribed for under the terms of the offering were sold to Bell Asbestos Mines Ltd. at the then current market price of \$16.00 per share. Accordingly the total offering of 477,500 shares was allotted and issued for a total consideration of \$5,744,728.

Cassiar Asbestos Corporation Limited

Management and Operating Personnel

GENERAL OFFICERS

Chairman of the Board	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary-Treasurer	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
General Manager	-	-	-	-	-	-	-	J. G. BERRY, B.Sc.
Consulting Engineer	-	-	-	-	-	-	-	T. T. TIGERT, B.A.Sc.
Assistant Secretary	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	-	M. G. MAZURKEWICH
Chief Accountant	-	-	-	-	-	-	-	M. J. HERZOG, C.A.

OPERATING DIVISIONS

CASSIAR MINE, Cassiar, B.C.

General Superintendent	-	-	-	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Production Superintendent	-	-	-	-	-	-	-	A. C. CARON
Mine Superintendent	-	-	-	-	-	-	-	J. R. MURDOCH, B.Sc.
Mill Superintendent	-	-	-	-	-	-	-	C. R. HARRIS, B.A.Sc.
Plant Superintendent	-	-	-	-	-	-	-	W. E. ROYDS, B.A.Sc.
Equipment Superintendent	-	-	-	-	-	-	-	G. EDWARDS
Mechanical Superintendent	-	-	-	-	-	-	-	J. C. VELTMAYER
Electrical Superintendent	-	-	-	-	-	-	-	F. KLIMENT
Surface Superintendent	-	-	-	-	-	-	-	G. KAMLAH
Utilities Superintendent	-	-	-	-	-	-	-	R. PASIAUD
Chief Engineer	-	-	-	-	-	-	-	J. ST. GEORGES, B.A.
Chief Geologist	-	-	-	-	-	-	-	W. H. PLUMB, B.A.Sc.
Chief Mine Accountant	-	-	-	-	-	-	-	J. H. THORNICROFT
Industrial Relations Supervisor	-	-	-	-	-	-	-	D. R. DELAHUNT, B.A.

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	-	-	-	F. P. HODGSON, B.Sc.
Mine Superintendent	-	-	-	-	-	-	-	H. A. WOODY
Mill Superintendent	-	-	-	-	-	-	-	M. DE ROUIN, B.Sc.
Plant Superintendent	-	-	-	-	-	-	-	J. M. BELL
Equipment Supervisor	-	-	-	-	-	-	-	M. NORDENHOLT
Mechanical Supervisor	-	-	-	-	-	-	-	P. J. WATTERS
Electrical Supervisor	-	-	-	-	-	-	-	R. O. HOFFMAN
Surface Supervisor	-	-	-	-	-	-	-	J. S. BUTCHART
Chief Engineer	-	-	-	-	-	-	-	J. G. DREWE, B.Sc.
Chief Mine Accountant	-	-	-	-	-	-	-	D. ACASON

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	-	-	-	E. K. McARTHUR
Operations and Maintenance Superintendent	-	-	-	-	-	-	-	W. G. WHITEHOUSE
Accountant	-	-	-	-	-	-	-	K. J. MULLOY

ASBESTOS WHARF, North Vancouver, B.C.

Superintendent — Vancouver Operations	-	-	-	-	-	-	-	J. T. WARD
Superintendent — Asbestos Wharf	-	-	-	-	-	-	-	M. PHILLIPS
Purchasing Agent	-	-	-	-	-	-	-	K. B. SCRIMGER

CASSIAR ASBESTOS CORPORATION LIMITED — TEN YEAR REVIEW

	Years ended		
	1967	1966	1965
Ore mined (tons)	1,029,474	901,650	743,765
Ore and concentrate milled (tons)	756,787	706,492	613,404
Fibre produced (tons)	92,093	87,900	85,432
Waste removed (tons)	4,125,054	4,299,373	4,542,457
Sales	\$20,845,403	\$20,393,363	\$17,625,197
Profit before deducting the following	\$10,116,004	\$ 9,841,812	\$ 8,498,620
Depreciation	1,492,336	1,439,523	1,134,471
Exploration and development written off	1,798,483	1,616,523	1,295,677
Net earnings before taxes	\$ 6,825,185	\$ 6,785,766	\$ 6,068,472
Provision for current taxes	500,000	765,000	1,310,000
Provision for deferred taxes	2,150,000	1,875,000	1,070,000
Net Earnings	\$ 4,175,185	\$ 4,145,766	\$ 3,688,472
Net earnings per share	79½¢	87¢	77¢
Dividend declared per share	60¢	60¢	60¢

CAPITAL EXPENDITURES:

Land, Plant and Equipment	\$11,756,202	\$ 8,881,995	\$ 2,739,710
Mine development — Cassiar	2,801,594	2,508,192	2,715,778
— Clinton	2,072,857	2,719,191	737,708
Outside exploration	197,894	269,778	21,656

BALANCE SHEET — AT END OF FISCAL PERIOD:

Net working capital	\$ 1,942,709	\$ 2,654,434	\$ 3,272,348
Funds for Clinton Mine development	399,793	435,383	8,164,813
Special refundable tax	158,000	105,000	—
Territorial Supply Company Limited	175,000	175,000	175,000
Plant and Equipment	38,361,730	26,720,300	18,115,007
Mining Claims and Properties	2,695,315	2,630,491	2,599,956
Deferred development	16,945,301	13,737,213	9,864,030
Total	\$60,677,848	\$46,457,821	\$42,191,154
Deduct — Long term bank loan	4,000,000	—	—
— Purchase contract payable	75,000	150,000	225,000
— Deferred taxes	9,585,000	7,435,000	5,560,000
— Accumulated depreciation	10,679,085	9,302,471	8,116,570
Capital and surplus	\$36,338,763	\$29,570,350	\$28,289,584
Shares of capital stock issued at end of period	5,252,500	4,775,000	4,775,000

[illegible]

